

AFT Pharmaceuticals

Hikma partnership expands to include Combogesic

Partnership update

Pharma and biotech

9 August 2024

Price **NZ\$3.2**

Market cap **NZ\$336m**

NZ\$0.61/US\$

Net debt (NZ\$m) at 31 March 2024 16.2

Shares in issue 104.9m

Free float 25.9%

Code AFT

Primary exchange NZX

Secondary exchange ASX

Share price performance



Business description

AFT Pharmaceuticals is a specialty pharmaceutical company that operates primarily in Australasia but has product distribution agreements across the globe. The company's product portfolio includes prescription and over-the-counter drugs to treat a range of conditions, and a proprietary nebuliser.

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AFT Pharmaceuticals has expanded its licensing partnership with Hikma in the US to include distribution of the recently launched Combogesic tablets (Maxigesic Rapid). We view this as a logical step, given Hikma's established footprint in the US, with synergistic benefits likely on costs and sales uptake. Hikma already holds exclusive distribution rights to Maxigesic/Combogesic IV in the US and will now also market the tablet formulation in the same hospital and ambulatory setting. Management expects to book the first sales within CY24 and, while the deal economics have not been fully disclosed, the agreement includes a profit share for Hikma according to our understanding. Note that unlike the IV formulation, AFT's sales strategy for the tablets entails having different distribution partners across sales channels. The first distribution agreement for the Combogesic tablets was signed with Alexso in June 2024.

Year end	Revenue (NZ\$m)	PBT* (NZ\$m)	EPS* (c)	DPS (c)	P/E (x)	Yield (%)
03/23	156.6	16.7	11.0	1.10	29.1	0.3
03/24	195.4	23.0	15.8	1.60	20.2	0.5
03/25e	232.4	23.6	16.5	1.65	19.4	0.5
03/26e	278.3	40.8	28.3	2.83	11.3	0.9

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items, and share-based payments.

Maxigesic Rapid (marketed as Combogesic in the US) is a rapid release version of AFT's flagship Maxigesic tablets, a patented combination of paracetamol (500mg) and ibuprofen (150mg). It uses the same combination, at 65% strength of the original tablet form (325mg paracetamol 97.5mg ibuprofen) and has been authorised for the treatment of mild-to-moderate acute pain. The tablet formulation was approved by the FDA in March 2023 and the first distribution partnership was finalised with Alexso in June 2024.

Hikma is the second distribution partner to sign up for the tablet formulation and will exclusively target the hospitals and ambulatory surgical centres channel. We believe this new deal is a good fit with the existing agreement between the two companies (signed in April 2021), under which Hikma is already marketing Combogesic IV in the US. The IV formulation is a double-strength intravenous version targeting post-operative pain (1,000mg paracetamol and 300mg ibuprofen), with distribution focused exclusively on the hospital setting. While we await further details on the deal economics of the recent agreement, we note that this deal is structured as a profit share agreement versus an outright licensing deal, as was the case for Combogesic IV (AFT received a NZ\$6m licensing payment from Hikma under this agreement earlier this year).

International expansion remains an ongoing goal for AFT as it seeks to diversify away from its traditional domestic reliance. The US, in particular, is of strategic importance given its size (the largest pharma market globally) and scope. It is also the largest analgesics market globally, pegged at US\$7.4bn, and estimated to grow at a CAGR of 4.9% in 2024–29. We expect AFT to launch other Maxigesic dose formats in the country on the back of initial uptake and consumer feedback on the IV and Rapid versions.

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